

May 2019  
Module A  
VAT including Stamp Taxes

1. Kreazor Ltd started to trade on 1 July 2018. Until 31 December 2018, taxable turnover was £10,000 per month but increased to £12,000 per month from 1 January 2019.

Quixxo Ltd started to trade on 1 March 2019. For the first month, taxable turnover was £63,000. On 1 April 2019, orders were received for goods to the value of £96,000 to be supplied during April.

Both companies make wholly taxable supplies.

**Briefly explain when Kreazor Ltd and Quixxo Ltd were required to register for VAT and the date from which registration will be effective.**

2. Luxcko Ltd purchased a newly built freehold commercial building for £800,000 plus VAT on 1 November 2012. The building was used 85% for taxable purposes until it was sold on 1 February 2019. The company's VAT year end is 31 March.

**Calculate, with brief explanations, the sale adjustment under the Capital Goods Scheme assuming that Luxcko Ltd had not opted to tax the building.**

3. Sophie is a freelance journalist making only standard-rated supplies. She uses the VAT flat-rate scheme. For the quarter ended 31 March 2019 Sophie's taxable turnover was £7,500 and her purchases of relevant goods were £175. Both figures are VAT exclusive.

**Explain, with supporting calculations, the VAT payable to HMRC for the quarter ended 31 March 2019.**

4. Lewis is a VAT registered trader making both taxable and exempt supplies.

For the year ended 31 March 2019, his VAT exclusive turnover was as follows:

	£
Standard-rated supplies	150,000
Zero-rated supplies	25,000
Exempt supplies	22,000

His input VAT for the year was as follows:

	£
Directly attributable to standard-rated supplies	18,000
Directly attributable to zero-rated supplies	2,000
Directly attributable to exempt supplies	8,000
Unattributable	6,000

Input VAT recovered during the year was £27,850.

**Calculate Lewis's annual adjustment for the year ended 31 March 2019. Ignore the simplified tests.**

5. Forreena Ltd is a VAT registered provider of legal services. Recently, the company provided services to AllesDort GmbH, a VAT registered customer based in Germany and to Juan Mendoza, an individual based in Spain. None of the services provided related to land.

**Briefly explain the VAT treatment of the services provided by Forreena Ltd to its overseas customers.**

6. Wendy has been registered for VAT since 2002. Her taxable turnover for the year ended 30 April 2020 is expected to be no more than £80,000 and so she has decided to voluntarily deregister for VAT.

**Briefly explain what actions Wendy must take in respect of the assets on hand at deregistration.**

7. Jonah is a VAT registered trader. During the quarter ended 31 March 2019 he had the following VAT exclusive sales:

	£
Standard-rated sales to UK customers	62,000
Standard-rated sales to customers in the EU:	
VAT registered business customers	21,000
Non-business customers	9,000

Standard-rated purchases and expenses in the UK were £30,000 (VAT inclusive).

Standard-rated purchases from VAT registered suppliers in the EU were £6,000 (VAT exclusive).

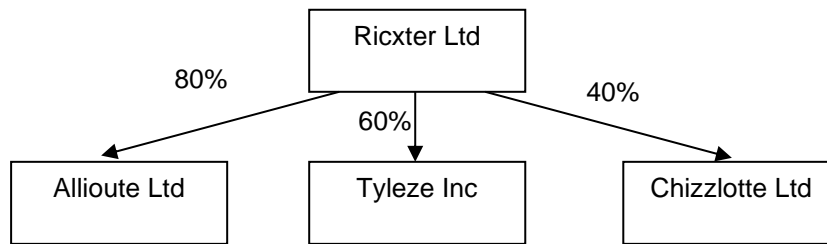
Jonah does not use the VAT Flat Rate Scheme.

**Calculate the VAT due for the quarter ended 31 March 2019.**

8. Ken has been trading as a bespoke furniture maker and has an annual taxable turnover in excess of £375,000. The assets of the business include a freehold workshop purchased on 20 July 2017 for £200,000. On 1 December 2018, Ken sold the entire business, including the freehold workshop, to James, an unconnected third party.

**State the information needed in relation to the freehold workshop for the purposes of the Transfer of Going Concern rules.**

9. Ricxter Ltd has the following interests in other companies:



Ricxter Ltd, Allioue Ltd and Chizzlotte Ltd are all VAT registered and resident in the UK. Tyleze Inc is resident and trades entirely overseas.

Ricxter Ltd makes wholly standard-rated supplies, Allioue Ltd makes wholly zero-rated supplies and Tyleze Inc and Chizzlotte Ltd make wholly exempt supplies.

Allioue Ltd completes VAT returns monthly.

**Briefly explain which companies are eligible to form a VAT group and whether or not it would be beneficial to do so in the circumstances.**

10. Jennie is a retailer of ladies' and children's clothing and footwear. Her VAT year end is 31 March. During the quarter ended 31 March 2019, she made the following VAT exclusive purchases for resale:

	£
Standard-rated goods	80,000
Zero-rated goods	54,000

Her gross takings for the quarter were £240,000.

**You are required to:**

- 1) Calculate the output VAT for the quarter ended 31 March 2019 using Apportionment Scheme 1.
  - 2) Briefly explain any adjustment necessary for the VAT year ended 31 March 2019.
11. On 25 December 2018, Katie gifted quoted shares valued at £1,250 to her sister Hannah.

Katie and Hannah had jointly owned a residential property as an investment for a number of years. On 30 March 2019 Katie gave her share of the property to Hannah on condition that Hannah agreed to take over Katie's repayment mortgage of £275,000. At this time, Katie's half of the property was valued at £350,000.

Both Katie and Hannah have other residential property.

**Calculate the Stamp Duty and the Stamp Duty Land Tax (Scots Law – Land and Buildings Transaction Tax) payable, if any, on the gifts to Hannah.**

12. On 24 January 2019, Percay Ltd purchased a residential property from Mrs Green. The purchase price was £1.5 million.

Percay Ltd's sole shareholder, William, intends to use the property as his main residence.

**Briefly explain, with supporting calculations, the Stamp Duty Land Tax (Scots Law – Land and Buildings Transaction Tax) payable. Your answer should clearly state who is liable to pay and by what date.**